



**Independent Accountants' Report on the
Application of Agreed-Upon Procedures on Indirect Cost Rates
Proposed by
National Strategy Information Center, Inc.**

The Department of State, Office of Inspector General contracted with Regis & Associates, PC, Certified Public Accountants to perform certain agreed-upon procedures to determine whether the National Strategy Information Center, Inc.'s proposed indirect cost rates for the fiscal years ended October 31, 2005 and 2004 complied with applicable regulations. The independent accountants found the Center's accounting system to be adequate for accumulating and reporting indirect costs under the provisions of the Office of Management and Budget (OMB) Circulars A-122, *Cost Principles for Non-Profit Organizations*, and A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*.

The independent accountants did note, however, that the proposed indirect cost for General and Administrative expenses for the fiscal year ended October 31, 2004, included \$154 for entertainment charges that contravene the provisions of OMB Circular A-122. Accordingly, the independent accountants disallowed those costs.

Overall, the independent accountant's review disclosed that for the fiscal years ended October 31, 2005 and 2004, except for the disallowed costs, the indirect cost rates reported by the Center were properly calculated, and that the Center's indirect cost rate structures complied with OMB Circular A-122. The independent accountants recommended that the Department accept and finalize the indirect cost rates for the fiscal years ended October 31, 2005 and 2004 as recommended by the report.

The work for OIG Report AUD/CG-07-45 was conducted by Regis & Associates, PC, Certified Public Accountants. This is an unclassified summary of a full report, which may receive limited official distribution.

Office of Inspector General

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